

Louis McLane to Andrew Jackson, May 20, 1833, from Correspondence of Andrew Jackson. Edited by John Spencer Bassett.

THE SECRETARY OF THE TREASURY (Louis MCLANE) TO JACKSON.¹

¹ This letter is in the Jackson MSS., vol. 83A.

Treasury Department, May 20, 1833.

To the President

Sir, The President has been pleased to require the opinion, in writing, of the members of his cabinet upon the following points;

1. "Whether any thing has occurred to lessen the expression at the commencement of the late Session of Congress, as to the safety of the Bank of the United States, so far as regards the public deposits?
2. "Whether the management of the Institution is such that the government can rely upon it as an agent in carrying into effect the fiscal arrangements of the Treasury, as well as whether it has been heretofore a faithful agent in that respect?
3. "The propriety of acquiescing in the renewal of the charter of the present Bank, under any circumstances, or with any modifications? And if with any modifications, what ought they to be?
4. "The propriety of assenting to the establishment of a new Bank, and if a new Bank, when and in what manner ought the suggestion to be made of my views on the subject,

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and upon what principles, under what limitations, and with what privileges ought a new Institution to be formed?

5. "What system ought to be established for the future disposition of the public moneys, so far as relates to the places for their deposite, and the manner of their distribution? And if the deposits are withdrawn from the Bank of the U. S. would it be necessary to receive the public dues in the notes of all the Banks, or to limit the payments to the notes of those Banks that may be selected as the places of deposit, and the agents of the fiscal concerns of the government?"

The President has, at the same time, been pleased to observe that the results of his own reflections are:

1. "That the Charter of the present Bank ought under no circumstances and upon no conditions whatever to be renewed.
2. "That the ground gained by the veto ought to be firmly maintained, and that my assent ought to be withheld from any bill authorizing a Bank out of the District of Columbia.
3. "That if my assent is given to the establishment of a new Bank, it ought to be one located in the District of Columbia, having the right to establish branches in the different states and in such places thereof only with the permission of the different states, upon the application of the Bank for that purpose, under such restrictions as the States may think proper to impose: and even with these restrictions that the government shall have the right to appoint the President and as many Directors of the principal bank and the branches thereof, as will secure fidelity and a thorough knowledge by the proper officers of the government of its transactions: And also that congress should retain the right to repeal or modify the charter from time to time as it may deem proper, as a security against the corruptions and evils which are now experienced from the uncontrollable authority of the present Bank.

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4. "That such an institution ought not to be recommended until a free and fair experiment has been made to carry on the fiscal affairs of the government without a National Bank of any description.

5. "If this last view of the subject be adopted it will be necessary *now* to devise and settle a system for the deposit and distribution of the public funds through the agency of the State Banks, to go into operation at such time as shall upon a careful consideration of the subject be thought most adviseable."

The undersigned considers the intimations with which the President is pleased to accompany the questions as a frank explanation of his own prepossessions, for the purpose of free examination and discussion, and not to preclude or embarrass the investigation which is necessarily invited by the questions proposed.

In this view, the undersigned has bestowed upon the whole subject that attention to which the respect he entertains for the President no less than the importance of the subject entitles it: and, though he has to regret, that, in some of the opinions it becomes his duty to express, he may not coincide with the views entertained by the President, his duty will nevertheless be best performed by candidly submitting, for the President's enlightened consideration, the dictates of the undersigned's own judgment.

Viewing the 1st, 2nd, and 5th questions as relating to different views of the same matter, and involving the same considerations, the undersigned proposes to consider them together; and that his observation may be more intelligible, he reserves them for the last, and proceeds in the first place to express his opinion upon the 3rd and 4th questions, and in the order here mentioned.

On the 3rd question he has to observe that recent developments of the management of the present Bank of the U. S., both in its general concerns, and in its relations with the government, have changed the opinion he formerly entertained in regard to its claims to a

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further extension of the monopoly conferred by the present charter; and he cannot advise the President to acquiesce in the renewal of the charter of the present bank under any circumstances, or with any modifications.

The 4th question embraces a greater variety of considerations, and is involved in greater difficulties as to details, and cannot in the opinion of the undersigned, be at present satisfactorily disposed of.

Of the constitutionality of a bank of the U. S., the undersigned, while he sincerely respects the doubts of others, frankly confesses he himself entertains no doubt. Of the usefulness of such an institution, surrounded with proper safeguards, as well to the government as to the Community he has as little doubt: and, upon both points his opinions have been long formed and publicly pronounced. He is free to confess that greater safeguards should be provided for the future than have been deemed necessary in past times: and though as to the details his opinions have undergone some change, they remain as to the general principles unshaken. The conclusion, as to such an institution in the general, to which his mind was brought by reasoning founded upon well established principles of political oeconomy, as applicable to the circumstances of the United States have been fully sustained and strengthened by the experience of the Country, both with and without such an institution, and by the closer knowledge which his official station at the head of the Treasury has enabled him to acquire. The subject, however, under all its aspects, has been so ably discussed, from the time when it was first presented to the continental congress, during the revolution, until the present moment, as well in reports from the heads of this Department, as in Congress, in the courts and in the press, that it is unnecessary to enter upon it here. For the purposes of the present inquiry, it may be sufficient to state, as the conviction of the undersigned, that a bank, or some institution established upon similar principles to those which have already been incorporated, but with greater limitations upon the powers of the institution, and greater controul in the government over its proceedings, affords, for the purpose of aiding the government in safely and conveniently collecting, keeping, and disbursing the public moneys, throughout

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the United States, certainly the best, and of preserving both for the government and the people a currency of uniform value in which all payments may be made, and all dues collected throughout the United States, perhaps the only means. The undersigned does not wish to be understood as asserting that the first of these purposes may not be accomplished, especially in time of peace, through the agency of local banks established upon the same principles, (if a national bank were not actually existing) which he not only admits, but if it were not so, would have cause to lament, but expresses his decided preference for the mode pointed out.

In reference to the object of securing a uniform currency, however, the undersigned begs to offer a few observations and explanations. When the Constitution was formed, the exclusive power conferred on Congress to coin money and regulate the value thereof, was sufficient for the maintenance of a general circulating medium of uniform value in all parts of the union. But the general introduction of Banks throughout the United States has rendered the power inoperative for that object; for the currency no longer consists of coin, but of bank-notes which serve in lieu of money, and which are issued and regulated, not by Congress, but by hundreds of different banks, acting without concert, almost without controul and responsibility of any kind, and totally without controul and responsibility to Congress.

In providing, at the same time, that all duties, imposts and excises shall be uniform throughout the United States, the constitution also secured an uniform rate of contribution to the wants of the government by the people in all parts of the Union, so long as such contributions were paid in coin; because coin, being issued by Congress, and its value fixed by Congress, would be uniform throughout the United States. But the substitution of bank-notes as a currency, and they not being of uniform value throughout the United States, has destroyed in fact the uniformity of value received by the government in duties, imposts and excises throughout the United States.

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In these two essential matters, therefore, matters deemed so essential as to be specially provided for in the fundamental law of the Union, the introduction and use of banks in the manner and to the extent in which they are carried on in the United States may counteract the objects of the Constitution. There is scarcely any duty which a government owes it more to the People to fulfil than that of preserving a uniform medium of circulation, a general standard, assessible to all, by which the value of all the labor and property of the people are to be estimated and regulated. The direct means of securing this important object have now passed out of the hands of the government; for it is impossible, without a degree of suffering which the people would not and could not bear, to go back to a currency composed wholly of coin, to reduce the money of the country, or what serves the purposes of money, though of unequal value in different parts, from eighty six millions to twenty millions, and thus to diminish, in the same ratio, the ability of every debtor in the United States to fulfil his engagements. But if this uniformity can be otherwise maintained by the employment of means which are legitimately within the powers of the government, an object so important is justly entitled to be presented as one of the great advantages to be derived from the institution by which those means are afforded; and it is with this view that it has been associated, by the undersigned, in his examination of the subject, among those great objects in reference to which the present question is to be determined. If these be not merely beneficial objects, but, as the undersigned believes them to be, essential to the government and to the people, and if they can be but accomplished by means of a bank, it follows that in his opinion the assent of the Executive should be given to the establishment of a new bank.

It is to be observed, however, that having on several previous occasions communicated his views in relation as well to the present bank as to what he thought would be a proper substitute, the President, at the commencement of the *first* Session of the *twenty second* congress, again renewed the subject, and, after reenforcing the views previously submitted, referred the whole subject, and in the opinion of the undersigned with manifest propriety, to the investigation of the people and their Representatives. From this ground

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the President has not subsequently departed, and has only interposed either to disapprove the measures presented for his consideration, where he could not consistently with his judgment give them his sanction, or to invite the attention of the legislature to new facts connected with the management of the present institution. Although the observations of the President in his message of the 6 of December 1832, are not to be considered as final, or as in any manner precluding the Executive from recurring to the subject when in his judgment the public interest calls for his interference, yet, on a full view of this part of the subject, the undersigned is not prepared to advise that any further suggestion should be made by the President, at least for the present.

As it respects the last part of this question, the undersigned professes himself unable, at this time, to give an answer entirely definite and fully in detail. Upon the general principles, both as to the constitutionality and utility of a bank his opinion has been already stated. The details, however, and more especially the limitations upon the powers and privileges to be conferred, depend so much upon the state and circumstances of the Country and the wants of the government at the time when such an institution is to be organized, and which cannot now be sufficiently foreseen, as to make it impracticable to present, with any certainty, a detailed scheme of such a bank as it would be judicious to recommend and establish.

The undersigned, however, is not prepared to concur in the suggestion of establishing the principal bank in the District of Columbia, though his objections to that measure, if other schemes in his view more expedient, should from any cause be impracticable, would not be insuperable; and he does not doubt that an institution having its principal location at Washington, with branches properly distributed, might be constructed so as to answer all the purposes contemplated. He is of opinion, however, that it would be inexpedient and unwise to make the authority of the government for the establishment of its branches in the several states dependent upon the consent of the State legislatures—especially in those parts in which the purposes of the government would most urgently require their agency. He thinks, moreover, without adverting to other objections, that the consequences to be

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apprehended from the perpetual dependence of such an institution upon the will of the legislature would make it inexpedient to retain in Congress the right to repeal or modify the charter from time to time as they may deem proper; Such a dependence would be too apt to offer temptations to an improper exertion of the power of the bank, dangerous equally to the legislature and the people, and render constant and active that proneness to abuse and those evils which can now only be apprehended towards the close of the charter.

It appears to the undersigned that equal security on the points suggested by the President might be attained by other means more secure in themselves; by granting the charter for a shorter period, and leaving Congress at liberty to grant a new charter to another bank during the same period; by more clearly defining its powers and duties and making the accountability in the management of the institution stricter and more rigid; by specifying and defining those acts, which, if proved may be deemed violations of the charter, and grounds for revoking or repealing the charter at any time by Congress; by vesting in the government the power of appointing the President of the principal bank and of each of the branches, and of appointing a proper number of the directors in the principal bank and the branches; and by better regulating the mode of conducting the business, ensuring for the government directors a more just and equal participation in the management of the institution.

In the opinion of the undersigned it might be practicable also, though he desires to be understood as not advising, but merely as suggesting to create an institution founded wholly upon the funds and capital of the Government, upon such principles and in such manner as to subserve all the main objects already indicated as necessary to be attained by a bank. This might be done by the creation of a stock of sufficient amount reimbursable at the pleasure of the Government at any time after a given number of years, and by a sale of the stock at the best price and for specie. The specie thus obtained would remain as the capital of the bank, and the business to be conducted by directors appointed by the government. It is proper to observe that this stock might and probably would, and with great advantage, be purchased by foreign capital and the specie, for the most part, be

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drawn from abroad. On this part of the subject, however, the undersigned is constrained to confess his embarrassment in making any suggestion of a new bank, arising from the position occupied by the President in his veto message.

Although the undersigned deems it his duty to observe that he cannot concur in all the doctrines advocated in that document, he feels, nevertheless, too much respect as well for the sincere conviction and patriotic motives with which they were urged, as for the public commitment of the Executive which they involve, to do more than respectfully advise a revision of the subject at the proper time, in the hope, that, as far as may be compatible with the President's constitutional scruples, they may be adapted to the exigencies of the public service. On this and the other grounds intimated, the undersigned abstains, for the present, from any more detailed observations upon this branch of the subject.

The *1st*, *2nd* and *5th* questions remain to be considered. Each of these questions directly involves both the authority and expediency of directing the deposits of the money of the United States to be made in other places than in the Bank of the U. S. and in the branches thereof; and are, in the view of the undersigned, for the present at least, of greater magnitude, and, in relation to his own position, of greater delicacy, than any other part of the subject. It is proper to observe, and with a full sense of the kindness and confidence manifested by the President, that some time before the commencement of the last Session of Congress, the undersigned had accepted the invitation of the President to become the Secretary of State, and that the final arrangements for that purpose have been delayed only by the state of public affairs in the interval. Circumstances of urgency, however, requiring the immediate departure of Mr. Livingston on his mission to France, it is finally understood that the undersigned will enter upon the duties of the Department of State on or before the 1st of June next. For all practical purposes, therefore, he is now to treat this subject as if he were, in fact, in that Department.

The order or direction, if any such shall at any time be given, for placing the money of the U. S. in other places than those designated by law, can be made only by the *Secretary*

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of the Treasury . For such order that officer alone is responsible; and while delicacy towards his colleagues might prevent him from involving them in his acts, his responsibility could not be lessened, but might be rendered more serious, by an attempt to divide it with others. It is certainly true, that, by the constitution the President is authorized to require the opinion, in writing, of the principal officer in each of the Executive Departments upon any subject relating to the duties of their respective offices; but, it is nevertheless presumed that a special authority, similar to that conferred by the bank charter upon the Secretary of the Treasury, can only be exercised in obedience to his sense of public duty, independently of the opinion of his colleagues, to whose offices the subject does not relate.

It is from no insensibility to these relative duties, but with the most perfect respect for the wishes of the President, that the undersigned proceeds to state, without reserve, his opinions of the matters involved in these questions. As the terms of the first question might imply, that, at the commencement of the last Session of Congress, there had been the expression of an opinion that the bank was an unsafe depository of the public moneys, it is necessary, in order that the following observations may be properly appreciated, to inquire into the precise import of that expression.

In his message, at the commencement of the last Session, the President observed—"It is my duty to acquaint you with an arrangement made by the bank of the United States with a portion of the holders of the 3 per cent stock, by which the government will be deprived of the use of the public funds longer than was anticipated. By this arrangement, which will be particularly explained by the Secretary of the Treasury, a surrender of the certificates of this stock may be postponed until October 1833: and thus the liability of the government, after its ability to discharge the debt, may be continued by the failure of the Bank to perform its duties."

"Such measures as are within the reach of the Secretary of the Treasury have been taken, to *enable him to judge whether the public deposits in that institution may be regarded as*

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entirely safe ; but, as his limited power may prove inadequate for this object, I recommend the subject to the attention of Congress, under the firm belief that it is worthy of their serious investigation. An inquiry into the transactions of the institution, embracing the branches as well as the principal bank, seems called for by the credit which is given throughout the Country to many serious charges impeaching its character, and which if true, may justly excite the apprehension that it is no longer a safe depository of the money of the people.”

It will not escape observation that the message recognizes the want of safety in the Bank as the only ground upon which the money of the United States could be placed elsewhere, under the order of the Secretary of the Treasury. It does not, however, positively express the opinion that the bank is unsafe; but referring to its improper transactions in Europe in regard to the three per cents, and the serious charges impeaching the character of the institution, observes merely, that these, if true, might justly excite an apprehension that it is no longer a safe depository of the money of the people. It neither asserts that the charges are true, nor that the mere apprehension which they and the three per cent transaction might justly excite, would of itself be sufficient to incur the hazard of changing the place of deposit, But, it is respectfully submitted, the message on the contrary distinctly implies that such apprehension would be insufficient, unless the inquiry directed by the Secretary or that which Congress was invited to make, should result in shewing that it was well founded. The course of the Executive in abstaining from any change in the place of deposit without inquiry is in all respects consistent with this interpretation of the message, if indeed it can be reconciled with any other. With the views expressed in the message those in the annual report are in all respects coincident. In that document it is stated that “it is apparent, however, that the apprehensions arising out of the three per cent arrangement, as it is understood to have been concluded by the agent of the Bank, and of the consequences to which it might lead, more especially should the parties in Europe insist upon its fulfilment; not less than the great amount of the Bank's transactions especially in its Western branches, together with other matters connected

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with its dealings, which have occupied the attention of one branch of the legislature since the last annual report from this Department, have tended to disturb the public confidence in the management of the institution; and these taken in connection with the necessary arrangements in anticipation of finally closing its business have suggested an inquiry into the security of the Bank as the depository of the public funds. The report further asserted that a change in the deposits would be inexpedient without such an examination into the actual condition of the Bank as justice to the institution not less than to the community at large required.

In addition to the causes suggested in the message, as implying doubts of the safety of the Bank, and as enforcing the expediency of changing the deposits, the report adverted to the necessary arrangements in anticipation of finally closing its business. This consideration, however, though it must and will be imperative at the proper time, can have no influence on any immediate step, and need not, therefore, be now considered. If the views here presented of the true import of the expression at the commencement of the last Session be correct, then it is believed that occurrences which have subsequently taken place lessen the weight of that expression so far as regards the change of the public deposits.

The grounds on which the apprehension alluded to in the message was founded are, 1. The serious charges in regard to the management of the institution. 2. The arrangement in Europe in respect to the three per cts; and 3. The amount and condition of the Western debt.

Neither these grounds nor the apprehensions arising from them were sustained by the report of the agent appointed by the Treasury to make the investigation. That agent, on the contrary, expressly reports that neither the security of the public moneys nor the solvency of the Bank can in his opinion admit of a doubt; and in regard to the debt due to the Bank in the Western Country, though he professes not to give an opinion that can be relied on with certainty, referring to the information obtained, and adding thereto his own knowledge

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of the business in the Western Country, he considers the debt in a safe and wholesome state. It is proper to observe, however, that the investigation made by the agent was not as minute and extensive as it ought to have been, and is on that account unsatisfactory and inconclusive. It is, nevertheless, entitled to the respect due to the opinion of a man of considerable knowledge and experience in business, and of unquestioned integrity.

It is believed, therefore, that a Secretary of the Treasury would be required to present sufficient facts, not founded in conjecture, to impeach either the accuracy of the report or fidelity of the agent, in order to warrant a measure expressly discountenanced by the official investigation and decided opinion of his own officer. In this instance it does not appear to the undersigned that any such grounds exist. The proceedings in Congress are, however, of greater importance, and, in the opinion of the undersigned, must have a greater influence in lessening the force of the expression at the commencement of the last Session.

It is true that Congress did not deem it proper to institute the investigation into the management of the Bank suggested by the Executive, nor thoroughly to investigate the state of the Western debt; and it may, therefore, be admitted that the proceedings in the House of representatives are not conclusive as to the facts of the case. It must be observed, however, that such investigation may not have been directed, because, in the opinion of Congress, such inquiry was not necessary to the formation of their judgment; and it is certainly true that with the facts connected with all the points suggested in the message the members of the last Congress possessed a general acquaintance, and were in possession of the same information as that upon which the Executive made his suggestions. The most, if not all the charges of mismanagement had been developed at the previous Session, in the report of the Committee appointed by the House of Representatives, and must have been understood. The nature and consequences of the three per cent transaction were fully investigated and unequivocally and unanimously condemned by the Committee of Ways and Means; and in respect to the Western

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debt, it is to be presumed that as much was known to the members of the House of Representatives as can be accurately known to any other Department.

However this may be, after these investigations, and with the information in their possession, the House of Representatives by a vote of *one hundred and nine members to forty six* passed a resolution declaring “that the government deposits may, in the opinion of the House, be safely continued in the Bank of the United States”. It is a circumstance in no small degree calculated to encrease the influence of this large majority, that it is made up in part of those members who are known to be opposed to the present Bank, as well on constitutional grounds as on those of expediency. It is to be presumed that those grounds of apprehension as to the safety of the Bank, which, before this vote, were merely doubtful, and so doubtful as not to authorize the removal of the deposits without a full investigation into their truth, cannot be less free from doubt now, after a partial inquiry only has been made, and after one hundred and nine members of the House of Representatives have deliberately declared that they do not affect the safety of the Bank. The measure of the Executive, which, at the commencement of the Session, would have been in opposition only to the interests of the Bank, must now be opposed also to the declared opinions of the Government agent, and of a large majority of the House of Representatives: and a measure which would not then have been warranted because the grounds were doubtful, would have now to depend, for its justification, upon grounds still less probable.

The influence which such a vote ought to have upon the future conduct of the Treasury cannot be sufficiently appreciated without considering the spirit and object of the charter. The power conferred on the Secretary to change the deposits is not absolute, but is possessed by him in common with Congress and subject to its control. It is the law of the land and a part of the contract with the bank, that, in consideration of the duties it is obliged to perform, the public money shall be placed in it, unless the Secretary of the Treasury shall otherwise order and direct. It is only because circumstances may arise in which the safety of the public funds will not admit of delay, that this authority can be

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properly exercised; and, to guard against any arbitrary order for this purpose, the grounds of the proceeding must be immediately reported to Congress. But, as this obligation to report to Congress would be altogether unnecessary, unless the order should be liable by them to be revoked, the inference appears to be inevitable, that, in case Congress should disapprove the order of the Secretary, he would be bound, if not by the law, certainly out of proper respect for the legislature to rescind his direction. And, although the decision of one branch of Congress might not be sufficient for this purpose, yet it appears to the undersigned, that, after so decided an expression by the House of Representatives of their opinion of the safety of the public deposits, an order to change them without the developement of any new facts or of such as could not have been known, would be such an arbitrary exercise of authority as would not be warranted by the charter.

It is presumed, moreover, that the principal, if not the only justification of the Secretary of the Treasury in making this order is his just sense of responsibility for the safety of the public money; and it must therefore be admitted that where the House of Representatives by so large a vote have declared the money to be safe in the Bank of the United States, no such responsibility could well exist.

In connection with this part of the subject, it becomes important to consider the character and import of the report of the minority of the Committee of Ways and Means to whom this subject was referred in the House of Representatives. The ability of that document will be conceded, and the labor and knowledge of the subject it displays are entitled to great respect. Even that report, however, does not assert the insecurity of the Bank, or recommend a change of the deposits. It asserts only that there is ground to *doubt* the *entire safety* of the funds in the bank, and declares expressly that to solve these doubts would require time and means which are not at the disposition of the committee, and that nothing short of a personal, impartial and thorough examination of the books and affairs of the principal bank and many of its branches can develop its policy and management, the security of its debts and soundness of its condition. It is therefore, clear from this declaration of the report, that, to change the deposits without such examination and

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a resort to the means recommended would be to proceed upon grounds of doubt and conjecture merely. The report, moreover, refrains either from denying the correctness of the conclusion of the report of the majority or itself expressing the opinion that the funds are unsafe and ought to be changed. It concurs only in the *doubts* previously expressed by the Executive, and states that “whether existing facts are sufficient to justify the Executive in taking any step against the bank, authorized by the charter, is a matter for the decision of the proper officers, acting upon their own views and responsibility.” In the opinion even of the minority of the Committee, therefore, there existed only ground to doubt the entire safety of the public funds, and that doubt could only be solved by an investigation which there was then no time to make.

In the opinion of the undersigned those grounds of doubt are not sufficient to justify the proper officers, at least without the proper inquiry for the purpose of solving them, to issue the order authorized by the charter, in opposition to the opinion of so large a majority of the House of Representatives that the government deposits may be safely continued in the Bank of the United States. And he owes it to himself to say that this opinion of the majority, taken in connection with the failure of the minority of the committee to express in their report any opinion on the subject, and with the silence of the other branch of the legislature, has materially lessened, in his mind, the weight which previously to the last Session of Congress he had attached to the circumstances then existing.

If, however, these considerations and those which will be offered in answer to the 4th question should fail to convince the mind of the President, and it should be deemed expedient to change the place of the public deposits earlier than may be required by the expiration of the charter of the present bank, the undersigned respectfully suggests that previously to an order for that purpose measures should be taken to prosecute such an inquiry as is alluded to in the report of the minority of the committee; or, which in his opinion would be better, to recommend such an inquiry to Congress at the commencement of the next Session; accompanied with a distinct annunciation that unless such an inquiry be speedily granted and prosecuted, the Executive should feel it to be his duty, from a

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proper regard for the safety of the public funds, to direct them to be deposited in other places than in the bank of the United States. This would present the issue with the Bank in a manner more favorable to the government than any other, and with proper respect to each of the other Departments. In the mean time the necessary steps might be taken to ascertain the condition of the several local Banks, and the facilities they would have it in their power to afford the government in the management of its fiscal operations.

In the foregoing observations the undersigned has confined his remarks to the 1st question, and to the effect which official proceedings subsequent to the commencement of the last Session of Congress should have upon the Executive action. Some of these observations, however, are also applicable to the 2nd and 5th questions, which embrace, also, a wide scope; and he feels it his duty at the hazard of some repetition and even of tediousness, to present, in his answer to these questions, the grounds of his opinions upon the several matters which are involved in them.

The undersigned has already observed that he cannot advise that the present Bank should be rechartered. The institution, however, is existing under the sanction of law, with rights as well as duties: and it would seem to the undersigned to be his duty, so far as the public welfare is confided to his hands, to take care, that, as long as the Bank exists, the government and the People shall be deprived of none of the advantages they are entitled to derive from it, unless incompatible with some greater good. It is moreover, to be borne in mind that the act chartering the bank is a part of the law of the land: and that so far as the undersigned is charged with the administration of the laws, he is bound by his duty to advise that that as all the other laws should be executed in good faith, in such a manner as to give full effect to all its provisions so as to promote the objects for which it was enacted.

It is by this double sense of duty, moral and political, that in the opinion of the undersigned, the action of the government towards the bank should be regulated.

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In further explanation of his views on this branch of the inquiry, the undersigned would add, that regarding the Bank as an institution not formed for the benefit of the stockholders, but as intended for the accomplishment of high public objects, in which the association of private stockholders was only designed to be auxiliary, he does not consider the idea of punishing the bank, by withholding the public deposits or in any other way withholding or lessening the means which the Charter intended the Bank to use as instrumental to those objects, as an idea proper to be entertained by him in considering the policy of the government in its action towards the Bank.

Among the chief means which the charter has provided as necessary to the purposes for which the Bank was established, is the possession of the public deposits. To this the Bank has an exclusive right in all places where it has a branch, unless the Secretary of the Treasury should otherwise order and direct. But this controul of the Secretary, as has been already remarked, is to be exercised under a direct responsibility to Congress. It is made his duty to state the reason of any such order and direction which he may give, immediately if Congress be in Session, and if not immediately on its assembling. It is, therefore, under a high responsibility that the Secretary of the Treasury would act in withholding the public deposits; and he must take care that it be done on sufficient cause, and with a view to the public good. For it is not to be doubted that, if it should turn out that this measure would frustrate, in great part, the important objects for which the Bank was instituted, that it would incommode the public service, and embarrass the community; and, as may also be apprehended, that it would produce serious disorders in the currency and in the business of the Country, neither Congress nor his fellow citizens would excuse him for risking those consequences without some strong necessity affecting the public welfare.

The principle question to examine, then, is whether such necessity exists. 1. As it regards the safety of the public money, after what has been already observed in regard to the proceedings of Congress and the report of the special agent, it does not comport with the relation in which the undersigned stands towards that body nor with the respect he bears

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it, to treat the acts of either branch as proceeding from unworthy motives, or as adopted without a proper understanding, and in the face of these acts to assert that the public moneys are insecure without stronger proofs than actually exist. 2. Has the Bank been a faithful agent in carrying into effect the fiscal arrangements of the Treasury?

The undersigned is constrained from a proper regard to truth to remark that, with the exception of its conduct in relation to the three per cents, it has fulfilled its obligations in this respect. The public moneys have been safely kept, and out of *440 millions* which have been deposited with it, nothing has been lost. By the aid of its numerous branches and the circulation it maintains, the government is enabled to collect and disburse the public moneys in all the principal parts of the U. S. in a currency every where equal to gold and silver, and with great convenience to all who have moneys to pay to or receive from the government. The funds collected at places where they are not required are promptly transferred to those where they are needed; and that upon the mere call of the government, without waiting for the time required to make the actual transfer. 8

In the instances of the exception adverted to the Bank has not done its duty. Its conduct in relation to the postponement of the 3 per cents is too well known to need any detail here. It is sufficient to say that in disapproving of that transaction the President and the Department have been sustained by the House of Representatives and, as it is believed, by the people. In connection with the removal of the public deposits, however, it is to be observed that the fault is one, which, from the nature of things, cannot occur again; and that there is no ill consequence to flow from it, which a withholding of the deposits is necessary to prevent or to remedy.

If, however, this subject should be seen in a different aspect, and if it be decided that it is necessary to withhold the public deposits, necessary for the public good, then, whatever may be the consequences, they must be met; and it would be useful to inquire what they may be, only for the purpose of being prepared for them. But, if no such necessity exists, and if it be merely decided that sufficient cause exists for withholding the deposits

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provided that measure be deemed expedient, the probable consequences of such a proceeding are to be examined, to see whether the good or evil predominate, or whether the evil be not, in fact, of such magnitude as altogether to discourage the attempt. To this inquiry the undersigned proposes to direct his observations.

It may be true that the permanent injury which the credit of the Bank has hitherto suffered from the supposed disfavor of the government has not been great, but it may well be supposed that it would be much more seriously affected by this new and decisive manifestation of the hostility or want of confidence on the part of the government, accompanied as it would be with such an unquestionable diminution of its means of carrying on its business to advantage. In foreign countries, where much of the stock is held, this would most probably be the consequence: those who do not fully understand the nature of our institutions and the relation in which the bank stands towards the government, would be alarmed for the value of their stock; and those who look upon the bank as the great connecting link between all the money affairs of the Country would see the danger to be apprehended to all the other investments of capital from a measure which might interrupt or embarrass its operations. Hence the injury of the credit of the *Bank* abroad would be followed by a diminution of the *pecuniary* credit of the *Country* abroad, and by a general depreciation in the value of other American stocks held abroad. The consequence would be a return of those stocks, not only bank stock but others, to this Country. A demand to such an extent for payment would produce an extraordinary demand for foreign remittances. An unfavorable rate of exchange would necessarily follow; and, to that, would immediately succeed a demand for silver for exportation. The banks would endeavour to provide against this by a general curtail of their business; which, if met on the part of the borrowers, would lead to great embarrassments and numerous bankruptcies, and, if not, would be followed by a suspension of specie payments by the banks. For, such is the extension of the business of the, banks beyond their specie means, that, taken as a body, independently of the Bank of the United States, they could not sustain themselves under any unusual and considerable foreign demand for specie.

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Such an effect upon the credit of the Bank at home, as is here anticipated abroad, may also be apprehended from this measure. In that case the first and immediate consequence would be, in a greater or less degree, a call on the bank for the payment of its notes and deposits—in other words a run upon the bank. This would be met by a corresponding call by the bank upon its debtors, for payment of their loans; and, in proportion as this call was either too great or too sudden, would be the distress to them and the loss to the bank. This would produce a general want of confidence in regard to private credits, as well among banks as individuals. At a time of pressure upon the bank of the United States the local banks could not venture to interpose any effectual relief. So far as they encreased their accommodations to the public, they would relieve the bank; but the debts which would thereby have been paid to the bank will be due to them, and they, without any adequate encrease of means, would have to meet the general pressure which the shock given to the credit of the bank will have produced. The local banks, however, could not be expected, at such a moment, to enlarge their accommodations. On the contrary, already too much exposed by the extension of their business beyond their specie resources, and conscious as they must be of their hazardous condition, they would find themselves compelled by a regard for their own safety, to meet such a pressure by a corresponding reduction of their present loans. So far, therefore, from affording relief, they would suffer with the Bank. If the bank fell under the pressure, they would fall with it, if indeed, as is more probable, they were not, from their greater weakness, the first victims. For, although it would be possible for the bank to sustain itself, amidst a considerable overthrow of the local banks, the latter would inevitably be overwhelmed by the failure of the bank of the United States. What would become of the public deposits, and what of those benefits which the government and the people now enjoy in regard to the currency and exchanges of the Country, amidst the general destruction of credit, distress, bankruptcies and suspension of specie payment, it is unnecessary to inquire. But, although the credit of the bank should sustain no injury either abroad or at home, from the proposed measure, still it could not

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fail to produce to the public service great inconvenience, and to the community many disadvantages, and perhaps the most disastrous consequences.

To the government the disadvantage would be twofold. 1, the loss of a circulating medium of equal value throughout the U. S. in which the public dues might be collected and the public payments made in funds that are every where equal to gold and silver; and 2, the want of the facilities necessary in transferring the public moneys to the points where the public service might require. To these must, also, be added the risk of loss in the deposits.

The first of these losses it must be admitted the local banks cannot supply. Their credit is necessarily limited; whatever may be their solidity, and within this limit, not only the public opinion, but the interests of other local banks confine them: Since no local bank can circulate its notes out of its own proper sphere without encroaching upon that of some other. If this be so, payments to the U. S. made within any particular district will be made chiefly, if not wholly, in the notes of the banks within that district; and if payments are to be made by the U. S. within that district they will also be made in the same notes. Though the nominal value of these notes will be the same as gold or silver, within that district, yet their exchangeable value without the district will vary according to the prudence or the improvidence with which they may have been issued: and in addition to the difference of value to the government as a general medium of receipts and payments of the Bank notes of different districts resulting from the state of trade between those districts, there will be another resulting from the good or ill management of the banks by which they were issued. From these causes, payments to be made by the U. S. even to persons within certain districts, will be often, if not generally asked for in other districts, and the government must, in such cases, either decline a compliance, or incur the expense of transferring the funds from the least to the most favorable district. At present, the Treasury pays at almost any branch of the U. S. bank which the party may desire; which it is enabled to do, not merely out of the public moneys collected there, but by means of the transfers which the bank is obliged at all times to make upon its request from the public funds in

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its possession elsewhere. But, though the government may, at present, not happen to have funds where the party wishes to receive payment, yet as payment, wherever made, is made in notes of the bank of the U. S. which circulate every where, the party sustains no possible inconvenience. Without the bank this could not be so. If the government had not funds where the party desired them, payment must be made where it had them. Such payment being in local bank notes would not be available to the party elsewhere; and, to make it so, he must either pay those notes subject to the discount at which they would be received at the desired place of payment, or he must incur the expense of remitting them by exchange, where exchange can be had, which, however, is not always the case.

In illustration of this branch of the subject, it may be mentioned that before the establishment of the Bank, it was not unfrequent for parties making contracts with the U. S. to stipulate as to the kinds of funds to be received; and in proportion as funds at particular points were desirable to them, the receiving of them was one of the considerations which entered into the contract, and of which the U. S. desired the benefit. It frequently happened, too, that funds required for disbursement at different points could not be had there; and warrants have remained in the Treasury partially satisfied, waiting their final payment, until funds which could be used at the desired points were under the controul of the Treasury. And payments of warrants to individuals, have also been paid partly at one place, and partly at others, as the wants of the party and the means of the Treasury could be best reconciled. It is a fact, which all must recollect, that, before the establishment of the Bank, the notes of the local banks of different parts of the Union varied greatly in value; so much so, that, even between the cities of Washington and Boston, the loss was 25 per cent. The government, then, transferred its business as it best might; providing for the most necessary objects in such funds as were required, and dealing with the others as it could.

It becomes necessary, therefore, to inquire whether the local banks which might be selected as depositories of the public moneys, could by any arrangement among themselves obviate this inconvenience? The first mode that might suggest itself is a system of mutual credits, by which those banks would agree to receive and issue each

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others notes whenever desired and honoring each others drafts whenever drawn, in receipts or payments on public account. This, however, if practicable, would only afford a partial remedy. But it is believed to be impracticable. If an association of local banks were to be formed, they selecting their associates and agents, a sufficient number might, perhaps, be united, who would to a limited extent, and under many restrictions, place this confidence in each other. But the government could, by no possibility, give up the right, and the exclusive right, of selection, with safety to itself. To do so, would be to build up a power which would controul it, and voluntarily to surrender itself to its enemy. Even with the entire power of selection, the government might apprehend some difficulty from the association of those Banks. If they could be brought to act together among themselves, they might, on occasions, offer serious embarrassment to the Treasury: and, though the government might and could, promptly, free itself from such a connection, yet it might not be until after some inconvenience had been experienced both in the public service and in the community.

It would not, therefore, be the policy of the government to connect so formidable a body, too closely by motives of common and exclusive interest, especially if there were no national bank to present a counterpoise. It is certain, also, that, no arrangement among the selected banks, limited as the government should desire, would be sufficient to remedy the inconveniences resulting from the want of a general circulating medium.

It may be supposed that the government might attempt a remedy by authorizing the selected banks to receive in payments to the government, the notes of all banks in good credit, without regard to the place of issue, and to place to a special account, such of them as the banks of deposit would not credit as cash; the government taking upon itself the transfer of them to the places where they may be made available. The consequence of such a plan would be that the government would receive, every where, the worst funds in circulation in such place. Banks would issue notes for the purpose, and even upon the condition, that they should be put in circulation at a distance: and they might do so with success, since, under such a plan, those notes would always find currency in payments

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to the U. S. Such an arrangement, however, would of necessity be soon abandoned; for in all probability, the government would not, with the exception perhaps of a few principal places, receive funds available at any given place, of sufficient amount for the public payments at such place. And, as there would, in such case, be but little money that could be used until it was transferred to the places where it would be available, the government would be subjected to serious risk and expense in making the transfer, and, unless there was a great surplus in the Treasury, might be exposed to serious inconvenience for the want of its funds in the meantime.

Another course which might be suggested is to designate the notes of certain banks, the banks of deposit for example, which should be received in payment generally to the U. S. This, however, though it would lessen the inconvenience to which the last mentioned mode would be subject, would be liable, in a great degree, to the same objection. For those designated notes, though freely received by the United States, would be received in payment from the U. S. only where they could be made available. This course would, also, be liable to the additional objection that it could not fail to be ill received by all banks whose notes were not on the favored list, and would therefore excite their resentment both against the selected banks and the government.

It would seem, then, that whether the notes only of the place or district were received, or the notes of the selected banks, or the notes of all the banks in good credit, still a great portion of the public receipts would probably have to be transferred before they could be made available: and, hence while the government would be deprived of the facilities afforded by the Bank in making the transfers, it would have increased occasion for them.

The ability of the Bank to make transfers for the government and exchanges for the community depends upon the employment of all the means which such an institution possesses, in the distribution of its branches at all the great points of business throughout the Country, in the universality of its circulation, in the extent of its credit, and in its power to direct and controul and shape the business of all the branches, in such a manner as

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may best accomplish its purposes. All its branches are but parts of a whole; and if the general policy should impose burthens or require sacrifices of any, as may occasionally be necessary, yet as it would be for some greater good to the whole, the interests of the stockholders at the place where such branch may be, are not affected, since they are common stockholders in the whole establishment. With the local banks, however, all is different. All their interests are seperate and distinct; and each will naturally adopt that course which best promotes them. If they were disposed to act together for the purpose of making transfers and effecting exchanges, they are without the necessary means. And if with all the disadvantages to which they would necessarily be subjected, they were to make the attempt, it is most probable, that, whenever the time arrived for adjusting, equalising, and distributing the loss or gain of the transaction, their conflicting interests and pretensions would terminate the arrangement.

But, if the local banks should be able to make the transfers required by the government, it would necessarily be at the expense of the government. The banks themselves could have no direct interest in it; and as it would be for the convenience or advantage of the government, alone, the government would be expected to bear the burthen. *There being at present no appropriation out of which such a charge could be defrayed, the banks must be indemnified by some indirect means* . These would probably be, and none other is now perceived, as they have formerly been, the certain use of the moneys transferred, or to be transferred, for so long a time as would enable the bank making the transfer to pay itself for the risk and expense incurred in doing so, by lending out the money on interest. For such an arrangement, however, it would be necessary, that there should be a considerable surplus revenue, to be used while the sums to be transferred were thus unavailable to the Treasury. The present policy of the government, however, does not admit of large surplusses; it being intended to bring down the revenue to the expenditure. During the present year, at all events, no surplus is looked for. And to place out of reach, any considerable amount of public moneys, during the time necessary for transferring them, would necessarily embarrass the operations of the sinking fund. There being

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no debt redeemable before the 1 January next, the sinking fund can be applied in the meantime only in the purchase of stock; and, to do that to advantage, the public moneys should be in a situation to be promptly available, so that advantage might be taken of any favorable changes which from time to time may occur in the stock market. This, such an arrangement would defeat.

The extent to which transfers of public moneys have been found necessary, or convenient for the public service, is probably greater than would be supposed, in as much as it would seem that the great bulk of payments would be made in the great commercial cities, where, also, the great bulk of revenue is collected. Within the last four years, however, the transfers of public moneys have exceeded *fifty one millions of dollars* . (This will appear by a statement from the Register) The payment of the public debt, will no doubt remove the occasion for many transfers which otherwise would be necessary. But, on the other hand, as all payments will probably be made in local notes, from causes which will presently be stated, (the diminution of the circulation) if the agency of the bank be dispensed with, a new occasion for transfers will thereby be created, which will probably make up for the cessation of the other.

It may be supposed, that in regard to the Western receipts, which would be the most difficult to transfer, no transfer need be made; as they might be absorbed in payment to the indians and for the troops. It is believed, however, that the funds required for the indian service have hitherto consisted chiefly of specie: If the notes of the Western banks only are to be received in payments to the U. S. in the West, the Western banks will of course have to furnish the required specie; if other notes are received, it must be supplied by a double transfer, first, of the notes received, to the place where they were issued, and next of the specie to the places where it is to be disbursed. For the military expenditures it has been found that Western notes alone will not suffice; contractors require others; and it probably comes to the same result as to cost, whether the contractors receive payment at a diminished price, at the places where they desire, or at an encreased price, where they do not want payment. In one case the U. S. pay more for supplies, and in the other they

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pay for the expense of the transfer of funds. It will scarcely be proposed that the officers and soldiers who are exposed to the hardships and dangers of frontier service, should receive their pay in any other than the best funds in the possession of the government.

To the government, however, the inconveniences and disadvantages resulting from the want of a general circulating medium and of the facilities of transfer, will be but small compared with those which the people at large will experience. Indeed it is but reasonable to suppose that there will be the same disproportion between them as there is between the extent of the business of the government and that of the community. Every traveller, every person in extensive business, in short every one who has money to pay or to receive elsewhere than where he may happen to be, will find the want of those accommodations. Having notes of uniform currency, a traveller may pass from one extremity of the Union to the other with money which is equally current every where. An individual having occasion to transmit money to a distance encloses such a note by mail, and the party who receives it, wherever he may be, has money which is as good where he is as it was at the place from which it was sent. For larger transactions, the man of business is able for a small commission to transmit any amount, in safety, by means of a post note, or bill of exchange to any of the principal parts of the Union: and, by the agency of a general institution, he is able to receive payments at the same places, and through them to the place of his business. Of the extent of the accommodation afforded by such a circulating medium, every man may judge by his own case. And the extent of that afforded by transfers is shewn by the fact stated in the bank report to the last triennial meeting of the stockholders, that the amount of drafts drawn by the bank of the U. S. and its branches upon one another within the year ending on the thirtieth of June 1831 exceeded *forty two* millions; and this exclusive of the notes and drafts sent through it for collection.

These accommodations the local banks are unable to furnish. The universal circulating medium they cannot supply at all, and the transfers, remittances and exchanges but partially, and at such disadvantages as will subject the parties to a serious charge. Until it can be conveniently supplied from other sources, both the government and the community

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might desire that the bank should keep up its circulation. If it looked for nothing but amicable dealings with other banks, and meant nothing else, it might do so with great profit to itself. But it is scarcely to be expected, under the circumstances, that such a relation should long be kept up: and though they set out with no hostile dispositions towards each other, they would probably be soon brought into collision. It might, therefore, become a part of the policy of the bank to reduce its circulation. A portion of its notes would, however, remain even against its wish to call them in. Persons in extensive business, and those who deal in exchange would find it to their interest to make special deposits of them to be returned in kind; and even the government and its disbursing officers might find it convenient to adopt a similar course. The bank, however, though already safe and stronger in specie in relation to its circulation than the local banks, might deem this measure proper for the purpose of placing itself entirely beyond the reach of any hostile combination; and the curtails, which, without too great a pressure on its debtors, it might make in the course of a few months, would reduce its circulation to that point.

The undersigned deems it necessary now to consider the question of the safety of the public deposits if placed in the local banks .

It is the opinion of some who have good means of information, and who have studied the subject closely, both in theory and practice, that the local banks have extended their credits and issues so far beyond their specie resources, as to be constantly exposed to hazard, and indeed unable to meet any extraordinary pressure arising either from foreign or domestic demand. From data furnished by the testimony taken before the Committee of Ways and means in the late inquiry into the affairs of the bank, it appears that while the amount of the specie of the Bank of the U. S. is more than half the amount of its circulation, that of all the other banks throughout the U. S. taken aggregately is less than $\frac{1}{10}$ th. In the state of Massachusetts it is less than $\frac{1}{7}$ th, in the state of New York it is less than $\frac{1}{10}$ th, in the state of Pennsylvania it is less than $\frac{1}{10}$ rd, and, even in the city of

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Philadelphia, where the pressure of the Bank of the U. S. is constantly felt by the local banks, their specie is but little more than 1/3rd of their circulation.

To afford the same accommodation throughout the U. S. to those who have moneys to receive of or pay to the government, in regard to the places of deposite, and to distribute the public deposits among the banks in the large cities, in such a manner as to prevent too great an accumulation in any, it will probably be found necessary to employ twenty or thirty banks, or perhaps a much larger number. If these banks are selected exclusively with a view to their pecuniary safety the greater part of them will doubtless be safe banks. When compared with the bank of the U. S. as depositories of the public moneys, however, the whole must be taken together as one bank. With the bank of the U. S. it cannot happen that a loss will be sustained at any branch, because the bank is answerable as a whole. But, the local banks would each necessarily be seperately and individually responsible for the deposits placed with it and no more. Though generally safe, it might happen, and the experience of the Treasury well justifies the apprehension, that some one of them would prove otherwise. Indeed, it is not to be expected, that, with the temptations to extend their business which the possession of the deposits would create, with the chance of mismanagement to which such institutions are always liable, and with the hazard of loss to which they are ordinarily exposed, and their inability to withstand any extraordinary pressure, a loss should not occur in some one of all the selected banks, during the three years that remain unexpired of the bank charter, in which time not less than fifty millions may pass into their possession.

In connection with this part of the subject, it may be proper to remark, that by a statement published by *Mr. Gallatin* , it appears, that of the banks, which were in operation at different periods between the 1st of January 1811 and the 1st July 1830, 165 failed or discontinued their business; and of 129 of those, the aggregate capital exceeded 24 millions of dollars.

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There is, however, another danger, which, in contemplating the consequences of the proposed measure, is to be taken into view. It is but too probable that the Bank of the U. S., viewing this measure as an act of hostility towards itself, would be excited to meet it in a similar spirit. This it could only effect through the local banks selected by the Government to supply its place: The comparative strength of the bank of the U. S. and of the local banks, which has been already exhibited, shews which is less able to maintain a conflict. It is even apparent that if the bank of the U. S. were to pay over the whole of the public moneys in its possession, as well those of the Treasurer and other public officers as those for the public debt, amounting in the whole to 8 or 9 millions, by encreasing its circulation, it would still be stronger than the banks of any of the commercial cities, even than those of Philadelphia. Its probable course, however, would be to reduce its business by the amount of the public moneys withdrawn from it. Even this would to a certain degree embarrass the other banks, as it would produce a pressure upon the community, which would react on them. Those who were not so fortunate as to procure a portion of the deposits, would also curtail their business, in proportion as they were weak or cautious. The selected banks might think themselves protected from the necessity of a corresponding curtail by the possession of the deposits; if they were prudent, however, they would not extend their business; for it is evident, from the exhibition above presented, that even the possession of these deposits would not do more than place their present business in a safe condition. As they could not relieve the pressure which these curtails on the part of the Bank of the U. S. and other local banks would produce, they would of course be subjected to individual losses, resulting from the pressure in common with other banks. If they attempted to relieve it, even to the extent of the public deposits, they would be in a worse situation than the other banks; because their other business, which, but for the possession of the deposits they would have reduced in common with the other local banks, will remain subject to all the hazards resulting from its undue extension. So far, however, these embarrassments will not have been produced by any hostile exertion of the Bank of the U. S; they will have been merely those incident to the proposed change.

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The business of the bank reduced so far as it may deem necessary and perhaps its circulation withdrawn to the same degree, the bank is then wholly out of the reach of danger from the selected banks, even if combined for that purpose. On the contrary, it will then stand in the relation of a great creditor to them all; its curtails and all its receipts will be in specie or in notes of the local banks, which will give it the power to call on those banks for specie; and by postponing for a time the object of immediate gain, and using its means with a view to resent that what it would alledge to be the hostility of the government, upon the selected banks, it would soon drive them to curtail and finally to suspend their business.

In looking to the consequences of a contest between the bank of the U. S. and the selected banks, it is proper to take into view the advantages it has in its great capital, distributed at all the principal points throughout the union, but controuled by one head, and able to be concentrated and brought into activity to a tremendous degree, either for offence or defence at any given point. If a pressure exists upon any particular point, it relieves itself by means drawn from other points, extending its calls throughout all the strong points of its establishment until it has relieved the particular pressure by distributing it throughout its whole establishment. So, on the other hand, where it is disposed to make a pressure upon any local banks, by concentrating its means at a favorable moment, it would have it in its power to overwhelm almost any bank whose business is extended as that of the local banks is shewn to be. Those banks, too, have no external resource. Each must depend on its own means; for others would be afraid to risk their own safety by attempting to sustain it against such a pressure; and if the pressure were general each would be obliged to look to its own safety.

To the community the consequences of such a conflict could not be otherwise than embarrassing, bringing distress to many and ruin to others. The curtailment of their business, which the banks would be obliged to make, would deprive the community of their accustomed accommodations. The weak would be the first to sink under it, but in

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proportion as it was extensive, and extensive it would probably become, would be the embarrassment, until it would be found to affect as well the payments of the duty bonds as the fulfilment of individual engagements. In such a conflict, where the credit and the very existence of the local banks would be in jeopardy, and in such a state of commercial distress as would follow, it would be in vain to consider the public deposits as safe.

Against any such abuse of its power, the bank would under ordinary circumstances be restrained by the public opinion. Indeed its interests, which are best promoted by recommending itself to the Country for its usefulness and for that only, would forbid it. But, if a pretence were afforded it for deeming its prosperity and safety aimed at by the measures of the government, and [it] could be able to persuade the Country that it was persecuted, the public opinion, or at least a great portion of it, would not be apt to condemn the bank for the consequences of any measures necessary to an effective self defence. Besides, the embarrassments which are here alluded to would soon be felt, and those sufferers who traced them to the measures of the government, would not merely sympathise with the bank, but entertain, with it, a common feeling of resentment.

It is not probable, however, that these embarrassments would be of long continuance or that they would be permitted, where both the banks and their debtors had a common interest in preventing it, to proceed to that extremity which would involve so many in ruin and produce great suffering to the community. The debtors being unable to make the required payments to the banks, the banks would be without the means of discharging their obligations, and a common necessity would not only sanction but call for a suspension of specie payment as the remedy against the dangers to which all were exposed. Though a resort to this would postpone the evils for a time, it would be only to give them greater extent for a future period. It is not to be supposed that the national pride or the national interests will long submit to a depreciated currency of bank paper irredeemable with specie. This has already been tried, and abandoned; but at what cost! The sufferings experienced by this community in returning to a specie currency, after the general suspension during the war, are too well remembered to be more than alluded to

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here. Any measure which would probably lead to a similar state of things could only be justified by some strong necessity affecting the public safety.

The responsibility of the proposed measure, arising out of the proceedings in Congress has already been adverted to; but that responsibility would also be increased by the probable state of the public opinion, at the time when the Secretary of the Treasury would have to account to Congress for its exercise. The inconveniences, or evils which it is calculated to produce, will then have begun to be felt: and, in all countries, public measures are judged more by their results than by the reasoning which may have recommended them.

But that responsibility would be increased vastly more, if, in addition to the inconveniences to the service and the mischiefs to the community, which the undersigned apprehends from it, it should have happened, that, before the meeting of Congress, some one of the many banks selected for the public depositories should have proved unfaithful or insecure, and a portion of the public moneys thereby lost. The undersigned is free to confess, that, amidst all the hazards to which they would be exposed, he fully apprehends such a result. In the views hitherto presented on this subject, the undersigned has not adverted to the interests of the U. S. as a stockholder, which may be affected by this measure. As the U. S. own one fifth of the whole stock, whatever diminishes the business of the bank takes so far from the public revenue, and whatever subjects it to losses that break in upon its capital, diminishes in the same degree the public property of the nation. The care of those interests is, therefore, among the duties of those to whom the people have confided the care of their other interests; and for the faithful discharge of that duty they are accountable to the Country. This stock was the contribution which the people were willing to risk to secure themselves against the evils which they experienced as well in their public as in their private business, for the want of a circulating medium of universal credit throughout the Union and every where equal to gold and silver, and for the want of a safe and convenient agent for receiving, and keeping, and transmitting the funds of the government and those of the public at large wherever their interests might require. This

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capital, however, of 7 millions of dollars, was paid out of the industry of the Country, and now yields nearly half a million of dollars annually to the public revenue: thus relieving the people from taxation to that amount. Though mere pecuniary interests are not to be put in competition with the public safety, yet where no such paramount necessity puts them aside, so large a capital, and an income derived from it sufficient for defraying the compensation of all the public officers at the seat of government and more than double the amount of the expenditure on account of the intercourse between the U. S. and foreign nations, are of sufficient importance to justify the people in requiring a proper regard for their preservation.

If it be hoped by transferring the deposits from the bank of the U. S. to find agents, who, though less able to serve the government, will be better disposed to do [so], is it probable, when the organization of these institutions is considered, that the local banks will prove so? The bank of the U. S. is created by and dependant upon the federal authorities. Giving the fullest weight to the hostility imputed to it in regard to any branch of those authorities, such hostility has not been particularly manifested by it in its official transactions with government. In addition to all the means of controul over it which the law has placed in the hands of the government, in the appointment of directors, the examination into its affairs by the Secretary of the Treasury, and still more by Congress, and finally the proceedings in the Courts, the government has also the same means of controul over that bank which it would have over the local banks—the removal of the deposits; and it is to be remembered, this is the only controul it could have over the local banks. Whatever facilities in the way of business the government might require of them, it must obtain by a previous bargain: if at any time the public service required funds of a particular kind or at a particular place, unless it has previously stipulated for them, it must ask them as a favor. It is certainly not for a government voluntarily to put itself in a situation to ask any thing: and if it obtains them otherwise, it will be for an equivalent which, perhaps, may not be adjusted without a bargaining which the government can have no desire to engage in. On

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the other hand, the relation of the government to the Bank of the U. S. in all such matters is settled by law.

It is necessary to inquire, however, whether the government could rely upon the continued good disposition of the local banks? If the selection be made entirely with a view to their safety as places of deposit, it may well happen that some will be under the management of persons not politically friendly to the administration. Putting aside the danger there is that the local banks might use the increased means which the public deposits would give, of gratifying private or political partialities or resentments, or of pressing upon other and less favored institutions—since these are evils to be expected whatever may be the political preference of the directors—is there no danger to be apprehended from the occasional prevalence of misguided feelings in particular portions of the Union? Would it be safe for the United States to trust their funds exclusively to local institutions, which of course are subject to the controul of the state authorities from which they derive their existence, and to the influence of the communities in which they are placed and by which they are supported? The embarrassments which might result from an unfriendly feeling of this kind may well be imagined; and after the experience the government has had, it should require a greater necessity than is believed to exist, to justify it in subjecting its pecuniary interests to such a hazard.

In considering the proposed measure merely on the ground of expediency, it may not be amiss, among other and more important matters, to speak of the difficulties to which the Department might be subjected in the transaction of its business with the local banks. With the bank of the U. S. the principles and conditions on which the public business is to be carried on are settled by law; the details have in the course of long experience received the best practical arrangement. With the local banks the adjustment of the terms must be a matter of bargain, varying necessarily in some degree according to particular situations and circumstances, and differing in other matters according as the banks might be liberally or otherwise disposed: and even in the manner of transacting the business among them it would not be easy to establish the necessary uniformity. Their separate

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interests would necessarily produce jealousies, ill will and even contentions among them; complaints would sometimes be made that some enjoyed too much while others had too small a share of the benefits of the deposits; mutual discontents would also arise from the transfer of funds; and the Treasury would have no little and no very agreeable occupation in explaining its own course and preventing misunderstanding and bickerings among them. In respect to all these matters, and to many others which may be anticipated, if the banks did not act with perfect good faith towards the Treasury, and towards the receivers and depositors of public money, as well as towards each other, the Department is not without some experience, which encreases the apprehension of these and similar difficulties. The Department would also have to encounter the care, which the present facilities now render light, of providing for the proper distribution and constant supply of funds for the public service, at all the points throughout the union where they may be required: a task which, without a surplus of revenue, and with an expenditure at no place fixed would not be without its difficulties. Burthened as the Department is with extensive and heavy duties, the prompt performance of which is essential to so many private as well as public interests, it has need of all the facilities that can properly be afforded.

It has been urged against a national bank that it would be an instrument of power in the hands of government, to be used for political purposes; and in adjusting the charter of the present bank it was endeavoured to guard against such abuses. The danger of improper influence is, however, as much to be apprehended from the employment of the local banks. Those to whom the power of selection would be confided, could not of themselves possess that particular knowledge of distant or of any local banks which would be necessary to guide them. And in listening to the representations and recommendations of others, it would be difficult, if not impossible to escape error and mischief.

It is possible that the ill consequences which are herein set forth as among those that may be apprehended from the proposed measure may not be realised. All experience shews that the laws which govern human events are not sufficiently known to enable us to trace with certainty the consequences of any measure. Counteracting principles which

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do not appear to us may be in activity, and may disappoint the results which the best reasoning may deduce from any event. In looking to the future, therefore, we can look only at probabilities; and in judging of the effects of any measure, we must sometimes find sufficient grounds for deciding for or against its adoption if we can be satisfied whether the public good or evil will predominate. Viewing the subject, therefore, in this general aspect, the undersigned, though he may be mistaken as to the extent of the evil, entertains no doubt that the ill consequences to be expected out-weigh all the good to be hoped from it.

It has been already observed that the Bank enjoys a portion of the public confidence. Many of the President's best friends are among those who desire its continuance with such modifications as shall be found necessary: and among those of them who do not, it is believed there are a number who do not desire to see any interruption offered by the government to the safe winding up of its affairs. Hence it is that it has been found that, with the exception of the tariff, the bank question is the only distracting question that has been presented among the friends of the administration. Essential, and as it would seem irreconcilable, differences exist on this point among those who agree on all others; and while this question is *unnecessarily* agitated, the opportunity always exists for those who hope to profit by their divisions.

So far from seeking the adoption of measures which would serve to widen those differences, it cannot be doubted that if the opinion of those who have so many honorable motives to act together for the public good could be heard on this occasion, it would enjoin upon us to let that spirit of mutual and liberal concession which lies at the foundation of all our institutions and which regulates our policy on all other matters, be exercised also on this subject. To restore harmony throughout the Country seems now all that is left to complete the President's patriotic labors. His civil administration has been marked with a success worthy of the brilliancy of his military career; Under his guidance, the pure principles of the Constitution have been restored to their paramount influence in the conduct of all our public affairs: In our foreign relations, the justice which was so long withheld, has been finally accorded to us, and with all the bonds of amity have been

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strengthened: and finally in our domestic system, those sacred principles of Union, upon which the prosperity and liberty of the whole american people depend, have been by him not merely asserted and maintained, but more firmly and permanently established. The Undersigned would respectfully observe that it remains for the President still further to carry out those noble and just principles of public policy, which his own patriotism and wisdom have suggested, and, in support of that Union which he so deeply cherishes to bind still closer in patriotic concord, the people of this great republic who owe him so much for his services, and to whom he owes so much for their confidence and affection.

Entertaining these views of the whole subject the Undersigned submits as his opinion that no system should be established for the future disposition of the public deposits nor any change in the places of deposit of the public money sooner, than the expiration of the charter of the present bank may render necessary; and that in the mean time no measure be taken to change the relation which the present bank stands towards the government by interfering with its privileges or duties except for the purpose of investigating its transactions and detecting abuses; and that, unless upon such investigation the bank should prove to be unsafe it be suffered to proceed in its business in the manner authorized by the charter. The winding up of its concerns without embarrassment to the Country, is under the most favorable circumstances, rather to be hoped than expected. It is not for the government to add to the inherent difficulties of the task, but rather to aid in obviating them; *not for the sake of the bank, but that of the community* .

I have the honor to be, Sir, with the highest respect,

your obedient Servant,

[*Indorsement in pencil, in Jackson's handwriting* :] There are some strong points in this view—all ably discussed.